

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

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R 301700Z SEP 76

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 1250

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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E.O. 11652: NA

TAGS: ECON, EFIN, EPAP, PINT, SWEL, NU

SUBJECT: PRESIDENT SOMOZA TACKLES DROUGHT PROBLEM

BEGIN SUMMARY: IN NATIONWIDE BROADCAST SEPTEMBER 27, PRESIDENT SOMOZA ADDRESSED NICARAGUA'S SERIOUS DROUGHT PROBLEM. HESOUGHT TO REASSURE HARD-HIT CAMPESINOS BY INAUGURATING A FOOD-FOR-WORK PROGRAM AND BY STRESSING THAT LOCAL RESERVES OF FOODSTUFFS WERE SUFFICIENT TO MEET CURRENT NEEDS. HE ALSO REASSURED PLANTATION OWNERS AND EXPORTERS THAT HE WOULD NOT TAX THEIR WINDFALL PROFITS ON COTTON AND COFFEE SHIPMENTS AND THAT THE FOOD-FOR-WORK PROGRAM WOULD END IN TIME FOR CAMPESINOS TO ASSIST IN POST-NOVEMBER HARVESTS. SOMOZA ALSO PRAISED HIS LIBERAL PARTY'S ACTIVE CONCERN FOR WELFARE OF NICARAGUAN CITIZENRY. COUNTERING RECENT SPATE OF RUMORS, SOMOZA ASSERTED THAT COUNTRY'S FOREIGN EXCHANGE POSITION HEALTHY AND CURRENCY STRONG. DESPITE SOMOZA'S CONFIDENT TONE, DROUGHT MAY ADVERSELY AFFECT NICARAGUA'S MAJOR EXPORT CROP, COTTON, IN 1977, AND CONCOMITANTLY ITS FOREIGN EXCHANGE POSITION. THERE REPORTEDLY EXISTS, MOREOVER, A CONFIDENTIAL REPORT ON THE

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AGRICULTURE SITUATION WHICH MIGHT WELL GIVE A MORE GLOOMY PICTURE

OF THE DROUGHT SITUATION THAN SOMOZA PAINTED. END SUMMARY.

1. SCOPE OF DROUGHT: IN HIS SPEECH, SOMOZA SAID DROUGHT HAD SERIOUSLY AFFECTED CROPS DUE FOR HARVESTING DURING DECEMBER-MARCH PERIOD. HE GAVE NO DATA ON MAGNITUDE OF ANTICIPATED CROP SHORT-FALL BUT SAID THAT SOME 87,000 FAMILIES, OR ALMOST ONE-FOURTH OF POPULATION, SUFFERING FROM EFFECTS OF DROUGHT. MAIN AREAS HIT BY DROUGHT, ACCORDING TO SOMOZA, ARE SOUTH BOACO, CARAZO, NORTH CHINANDEGA, CHONTALES, NORTH ESTELI, SOUTH JINOTEGA, LEON, MADRIZ, SOUTH MATAGALPA, SOUTH NEUVA SEGOVIA AND RIVAS.

2. FOOD-FOR-WORK PROJECT: SOMOZA ANNOUNCED THAT THE GON, USING ITS OWN RESOURCES, WILL INAUGURATE A FOOD-FOR-WORK PROGRAM IN THE AFFECTED AREAS SO AS TO PROVIDE PARTICIPATING FAMILY HEADS WITH SUFFICIENT FOOD TO SUSTAIN THEIR FAMILIES IN ACCORDANCE WITH UN NUTRITION NORMS. EACH HEAD OF FAMILY TO RECEIVE A RATION OF CORN, RCIE AND BEANS BIWEEKLY DURING OCTOBER AND NOVEMBER. SOMOZA ANTICIPATED THAT BY DECEMBER NORMAL WORK OPPORTUNITIES WILL BE AVAILABLE IN THE COFFEE, COTTON, SUGAR CANE AND RICE HARVESTS. PROJECTS IN WHICH THE PARTICIPATING CAMPESESINOS CAN ENGAGE INCLUDE ROAD IMPROVEMENTS, SCHOOL REPAIRS, SANITATION PROJECTS AND, WHERE FEASIBLE, THE PLANTING OF LATE SEASON CROPS.

3. AMPLE FOOD SUPPLIES ON HAND: SOMOZA SAID THAT, THANKS TO THE GOVERNMENT'S ABILITY TO FORESEE POTENTIAL PROBLEMS, NICARAGUANS WILL NOT GO HUNGRY. THERE IS, HE ADDED, A SUFFICIENT RESERVE OF FOOD-STUFFS ON HAND. THE GOVERNMENT'S GRAIN STORAGE ORGANIZATION, INCEI, HAS 84,000 TONS OF BASIC GRAINS IN ITS WAREHOUSES, OVER AND ABOVE THAT AVAILABLE FROM THE PRIVATE SECTOR. SOMOZA SAW NO NEED FOR GRAIN IMPORTS AND SAID THAT THERE WILL BE AN ABUNDANT FOOD GRAIN HARVEST IN THOSE AREAS WHERE RAINFALL AMPLE, SUCH AS ZELAYA, RIO SAN JUAN AND MATAGALPA DEPARTMENTS.

4. ASSURANCES TO LARGE FARMERS. SOMOZA SAID THAT FARMERS CAN BE CONFIDENT THAT HIS GOVERNMENT WOULD NOT PUT ANY TAX OR DIRECT CUSTOMS CHARGES ON EXPORTS OF COTTON AND COFFEE DESPITE THE HIGH PRICES WHICH THESE COMMODITIES ARE FETCHING IN WORLD MARKETS. HE URGED THAT CATTLEMEN TAKE ADVANTAGE OF PRESENT FAVORABLE MARKET PRICES FOR BEEF BY STEPPING UP THEIR DELIVERIES TO SLAUGHTERHOUSES NOW, BEFORE PASTURE LANDS DRY UP. HE ALSO URGED THAT FARMERS TAKE LIMITED OFFICIAL USE

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ADVANTAGE OF GOVERNMENT SUPPORT FOR EXTENDING IRRIGATION IN THE PACIFIC COASTAL AREAS SO AS TO PREVENT A RECURRENCE OF DROUGHT DEVASTATION.

5. ECONOMY SOUND: SOMOZA SAID THAT FOREIGN RESERVES HELD BY THE CENTRAL BANK AMOUNTED TO \$170 MILLION AND THAT SUCH RESERVES SHOULD INCREASE \$25 MILLION BY THE END OF 1976. HE STRESSED THAT THE NATIONAL CURRENCY IS SOUND. SOME RECENT RUMORS, PRECIPITATED

BY MEXICAN DEVALUATION AND REPORTS OF SOFTENING OF SALVADORAN CURRENCY, HAD CALLED INTO QUESTION STRENGTH OF THE CORDOBA.

6. FOREIGN WORKERS TO BE EXCLUDED: SOMOZA ANNOUNCED THAT THE GON WILL EXCLUDE FOREIGN (MAINLY SALVADORAN AND HONDURAN) MIGRATORY WORKERS FROM THE COTTON AND TOBACCO FIELDS OF CHINANDEGA AND JALAPA.

7. KUDOS FOR LIBERAL PARTY: SOMOZA SAID THAT THE NATIONAL EMERGENCY COMMITTEE HAD ORGANIZED AN EXECUTIVE COMMITTEE WHICH WOULD SUPERVISE THE FOOD-FOR-WORK PROGRAM DOWN TO THE VILLAGE LEVEL WHERE LOCAL COMMITTEES OF PARTY FUNCTIONARIES WOULD COORDINATE ACTIVITIES. SOMOZA REMINDED HIS AUDIENCE THAT THE LIBERAL PARTY HAS RESPONDED WELL TO PAST DISASTERS AND THAT HIS PARTY "DIFFERS FROM OTHERS IN THAT IT NOT ONLY CALLS PEOPLE TO VOTE FOR IT IN ELECTIONS BUT IS ALSO ON HAND WHEN THE CITIZENRY NEEDS IT". HE ASSERTED THAT IN NATIONAL EMERGENCIES THE PARTY SERVES THE NEEDS OF THE PEOPLE WITHOUT REGARD TO THEIR POLITICAL COLORATION, BELIEFS OR ECONOMIC SITUATION.

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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R 301700Z SEP 76

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 1251

INFO AMEMBASSY GUATEMALA

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8. SERIOUSNESS OF DROUGHT: EMBASSY CONTACTS IN VARIOUS SPHERES

INDICATE THAT THE DROUGHT IS QUITE SERIOUS, ESPECIALLY WITH REGARD TO COTTON AND BASIC GRAINS CROPS. THE VICE MINISTER OF AGRICULTURE INFORMED EMBOFF ON SEPTEMBER 27 THAT NEARLY ONE-THIRD OF THE CURRENT COTTON CROP, MOSTLY IN THE DEPARTMENT OF LEON AND IN PART OF THE DEPARTMENT OF MANAGUA, HAS BEEN LOST, I.E. 40,000 OF SOME 120,000 MANZANAS PLANTED TO COTTON. MOREOVER, 28 PERCENT OF THE CORN AND BEAN CROP HAS ALSO BEEN LOST. SINCE COTTON IS THE MAJOR EXPORT CROP OF NICARAGUA, A DECLINE IN 1977 COTTON EXPORTS COULD REDUCE NICARAGUA'S FOREIGN EXCHANGE EARNINGS SUBSTANTIALLY; MUCH, OF COURSE, WILL DEPEND ON WORLD MARKET PRICES FOR COTTON. THE GON ANNOUNCED ON SEPTEMBER 21 THAT IT HAD SUSPENDED ALL NEW AUTHORIZATIONS FOR BASIC GRAINS EXPORTS OWING TO THE DROUGHT. ON SEPTEMBER 24 THE GOVERNMENT PROHIBITED THE EXPORT OF COTTON HUSKS AND COTTON SEED CAKE USED FOR CATTLE FEED. THIS WAS ANOTHER DROUGHT-INDUCED MEASURE.

9. RELIABLE SOURCES TELL US THAT THE PRESIDENT IS IN POSSESSION OF A CONFIDENTIAL REPORT ON THE AGRICULTURAL SITUATION WHICH, WE LIMITED OFFICIAL USE

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BELIEVE, PAINTS A MUCH MORE GLOOMY PICTURE THAN DOES HIS SPEECH. THE THRUST OF HIS SPEECH, OF COURSE, WAS AS MUCH POLITICAL AS ECONOMIC. IT ALSO AIMED AT COUNTERING RUMORS OF IMPENDING ECONOMIC DISASTER AND DEVALUATION. WHILE WE FORESEE NO DISASTER, WE DO ANTICIPATE POSSIBLE ECONOMIC DOLDRUMS OVER THE NEXT SEVERAL MONTHS UNLESS SEASONAL RAINS LESSEN THE IMPACT OF THE DROUGHT ON COTTON AND OTHER CROPS. IT IS A SITUATION WHICH WE WILL BE MONITORING CLOSELY.
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Message Attributes

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